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August 17, 2001

[REDACTED]

Re: FDIC- Insured Deposit Products under the Idaho Securities Act

Dear Ms. Brown:

This is in response to your letter of July 23, 2001 requesting the Department take a "no-action" position with regard to an exclusion of [REDACTED] bank certificates of deposit ("CDs") from the definition of a security under the Idaho Securities Act ("Act"). In addition, you requested relief pursuant to the salesman registration requirements set forth in the Act.

It is our understanding that [REDACTED] ("[REDACTED]") is a FDIC-insured, federal savings bank subsidiary of The [REDACTED] [REDACTED] wishes to offer deposit and loan products and services to customers in Idaho through a network of independent agents, personal financial representatives, insurance agents, telemarketers, and the Internet ("[REDACTED] Exclusive Agents").

Many [REDACTED] Exclusive Agents will be compensated on the amount of assets placed and maintained with Allstate Bank over a one year time period. [REDACTED] exclusive Agents would provide information to prospective customers and then refer them to an [REDACTED] representative to complete the transaction.

The [REDACTED] deposit products that will be marketed by the [REDACTED] exclusive Agents are conventional, FDIC-insured deposits (checking accounts, savings accounts, money market accounts, and non-negotiable CDs).

Our Department does not concur with your conclusion that certificates of deposit issued by [REDACTED] are not securities. However, it appears that the certificates of deposit issued by [REDACTED] would be considered exempt securities under the Act.

Specifically, Section 30-1434(1)(c) states:

Sections 30-1416 through 30-1433A inclusive, Idaho Code, shall not

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Credit Unions (208) 332-8003  
Securities (208) 332-8004  
Money Transmitters (208) 332-8004

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FAX: (208) 332-8098  
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apply to any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States or any bank, savings institution or trust company organized or chartered as such and under the jurisdiction and supervision of the superintendent of banks of any state.

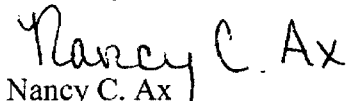
As reflected in §30-1402(2)(a)(i) of the Act, employees of [REDACTED] involved in the offer and sale of the CDs would not be required to register as salesman. However, persons who are not employees of the bank are not excluded from the salesman definition under §30-1402(2)(a)(i) of the Act. Therefore, those individuals will need to register pursuant to Section 30-1406 of the Act in order to offer and sell the CDs.

Given the basis of compensation to be paid to the Exclusive [REDACTED] Agents, the limited protection of FDIC deposits, and the unspecified compliance plan established to seek to ensure Exclusive [REDACTED] Agents compliance with all applicable laws and regulations, the Department does not believe the granting of a no-action position would be in the best interest of Idaho residents. Hence, the CD's issued by [REDACTED] Bank are considered securities and are subject to the antifraud provisions of the Act. Furthermore, non-bank employees offering these securities must comply with the Act's salesman registration requirements.

Please be aware that the position taken in this letter is based solely on the facts and circumstances presented in the July 23, 2001 letter. Should the facts change or be altered in a material way, our view may be different.

If you have any questions regarding this matter, please contact the undersigned.

Sincerely,

  
Nancy C. Ax  
Securities Analyst